

# THE CORPORATION OF THE MUNICIPALITY OF MISSISSIPPI MILLS

## STAFF REPORT

**DATE:** June 26, 2024  
**TO:** Council  
**FROM:** Kathy Davis, Director of Corporate Services, Treasurer  
**SUBJECT:** 2025 Budget Assumptions

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### **RECOMMENDATION:**

**THAT Council receive this report as information, AND THAT Council direct staff to advise Council of any changes to the assumptions in this report that may be made known after the date of this report and before the tabling of the 2025 draft budget.**

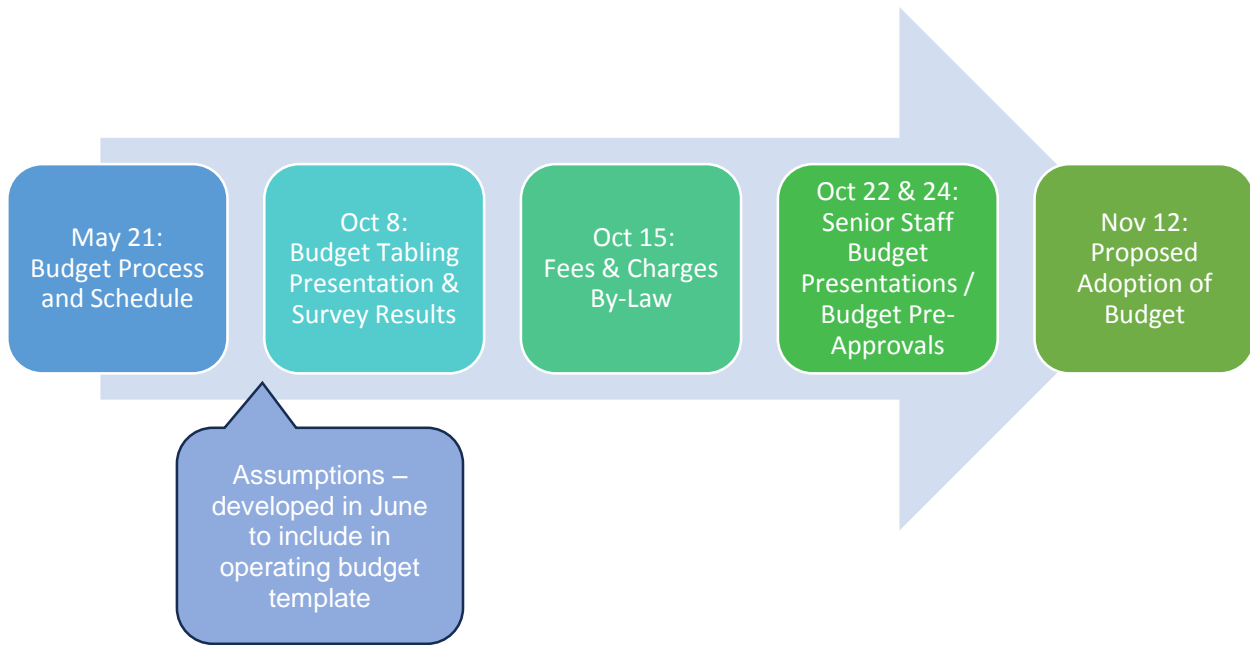
**THAT Council direct Human Resources staff to bring forward a summary report of all proposed new staffing positions for the 2025 draft budget including costing and rationale for each position, prior to the tabling of the 2025 draft budget.**

**THAT Council direct staff to include qualitative and financial analyses related to proposed program expansion and new professional fees in their individual 2025 draft budget departmental presentations on October 22 and 24, 2024.**

### **BACKGROUND:**

This report is written further to the Budget Plan and Process presentation made to Council on May 21, 2024. The purpose of this report is to provide Council with further details related to the development of assumptions that are used in constructing the annual proposed budget. Accounting and budget assumptions include expected changes, estimates, or trends that are used to help inform a draft budget. Municipal staff identify and research multiple factors that inform the development of the budget. In this report we hope to provide clarity and transparency for Council around how they are developed and utilized in the drafting of a proposed budget.

The report also aims to provide clarification for Council related to decision making points throughout the budget process. As the budget is developed, there are several checkpoints for Council to receive information, approve or reject different components of the proposed budget, give direction to staff, and provide feedback, ideas, and suggestions leading up to the presentation of a final proposed budget for approval or amendment per Council's direction. As described at the May 21, 2024, meeting, there are a number of key stages and activities for Council during the budget cycle.



Between each of these checkpoints, staff are available to meet with Councilors to discuss questions, feedback, ideas, points of analysis and data requests, and items that Council would request be included in the draft budget.

Critical decision making points for Council include:

- June 26, 2024 Budget Assumptions:

Council's decision making includes receiving estimates for the purposes of developing the draft budget, and direction related to items of interest for Council, such as providing details specific to proposed staffing and program expansion.

- October 8, 2024 Tabling of the Draft Budget

At this meeting, Council typically receives the Draft Budget as information, and can provide direction to staff related to different elements of the budget. For example, at the tabling of the last budget in 2024, Council directed staff to bring forward more information about discretionary reserves, and more information about asset sustainability and asset management.

- October 15, 2024 Fees and Charges

The proposed changes to the Fees and Charges By-Law will be brought to Council for consideration on October 15, 2024. At this meeting, Council can approve, amend, or reject approval of the proposed changes. Any new fees need to be considered by Council and approval at this stage in the budget process would help eliminate any doubt that the fees should be included as part of revenue.

- October 22, 2024 and October 24, 2024 Presentations

At this time, staff would propose to follow the same presentation order as was employed in the 2024 budget process and would seek Council's feedback related to receiving information and presentations from staff. The proposed presentations for October 22 would relate specifically to infrastructure, growth, and asset management, including:

- Public Works
- Waste Management
- Water and Wastewater
- Planning
- Building

The proposed presentations for October 24 would relate to strategic initiatives and priorities, including:

- Culture and Recreation
- Economic Development
- Protection and Fire
- Corporate Services
- Childcare
- Facilities

After each presentation, staff will seek Council's feedback and questions, input and direction related to the proposed departmental budgets. It is understood that Council may also wish to hear all the presentations and then, given the context of the proposed budget across all areas, take more time to consider and weigh different priorities and the implications of different decision making. Council direction and decisions at these meetings will help staff further refine the proposed budget.

- November 12, 2024 Proposed Adoption

Given the direction and input from Council in the previous meetings, staff will bring further revisions and a proposed draft budget to Council for consideration. At this meeting, Council may still require further information, provide additional direction for staff, and propose future meetings to consider new information requested of staff. Alternatively, Council may choose to approve the draft budget with specific amendments as directed.

## **DISCUSSION:**

### **1. Inflationary Assumptions**

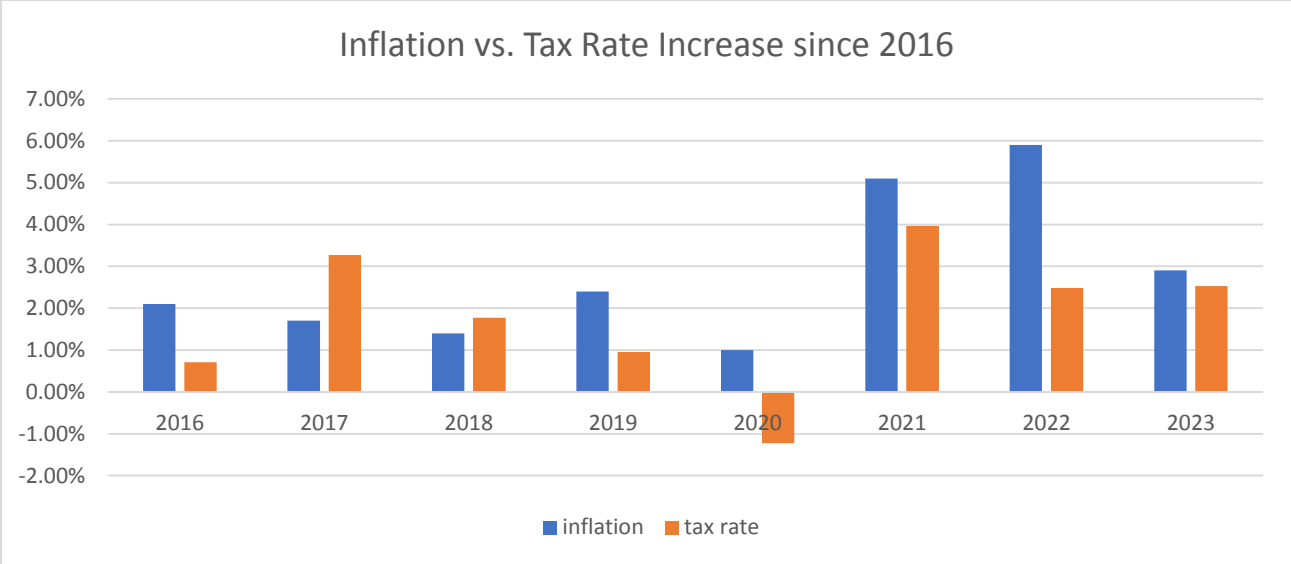
Each year, staff review historical inflation indicators and economic forecasts to determine inflation estimates to be applied to the coming year's budget. While these predictions are estimates, the inclusion of increased budget amounts based on these

inflation estimates provides assurance that services will not be eroded and that Council's previous direction and decision making with respect to investments and services is still fully funded.

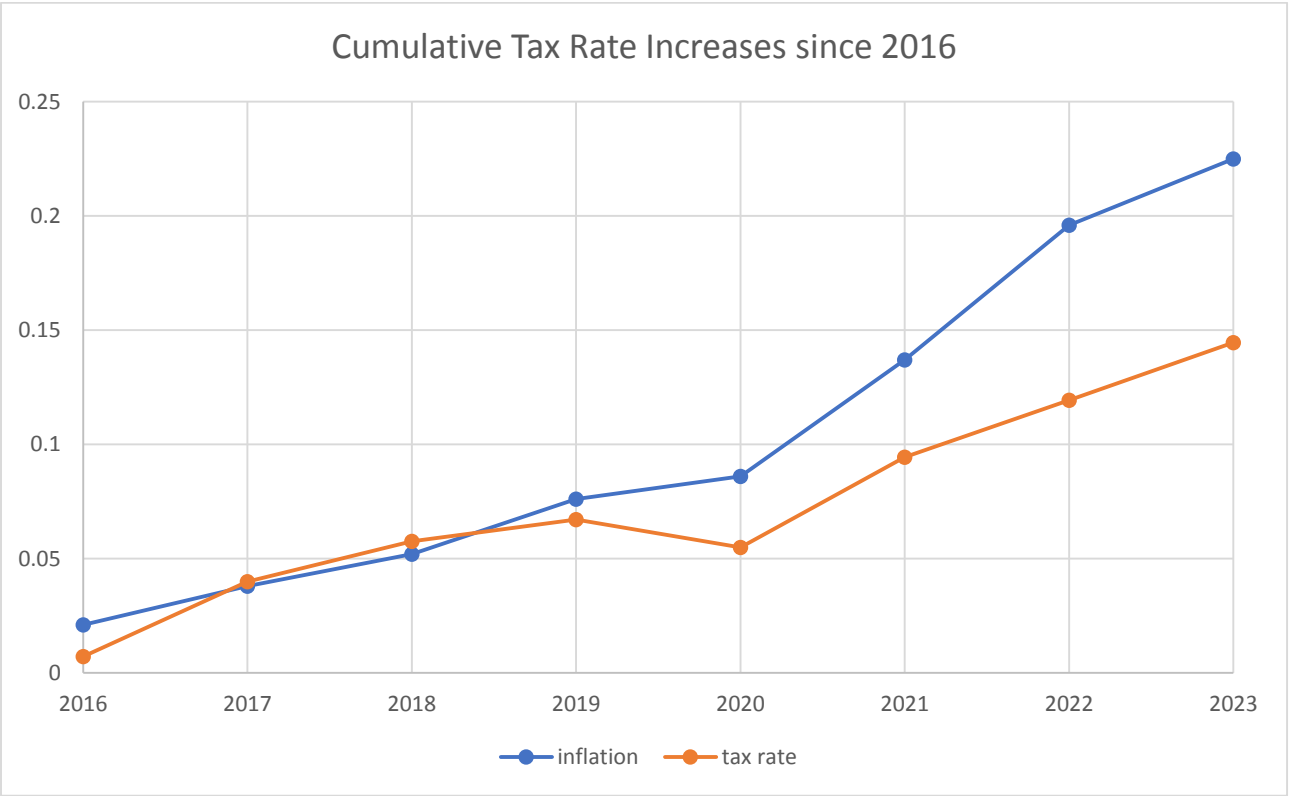
Different categories of inflation are derived and applied to the spending categories in the budget. Below is a summary of 2023 estimates, and the 2024 assumptions that are currently under development.

<b>Cost Category</b>	<b>2023 inflation index</b>	<b>2024 inflation index</b>	<b>Research / sources / historical information</b>
Wages	2%	3%	Collective agreement
Benefits	2%		From broker
Supplies	4%	2.69%	Year over year Bank of Canada inflation rate (4.1% 2022-23, 2.69% 2023-24)
Contracts	3%	2.5%	Bank of Canada inflation rate + historical experience – savings component
Insurance	20%	15%	From broker
Fuel and oil	10%	11.1%	StatsCan retail fuel and oil data (7.2% May 23 to Apr 24 – NOTE that In some research, a carbon tax increase is expected for 2025, a lower value of the Canadian Dollar and Political Unrest (Military uprisings) estimates are between 10 – 20% for budgeting purposes. It may be prudent to pick a midpoint of 15%.
Materials	5%	5.96%	Building construction price index Q1 to Q1 <a href="https://www150.statcan.gc.ca/n1/pub/2462827/2023001/article/00001-eng.htm">Building construction price indexes, by type of building and division (statcan.gc.ca)</a>
M&R Parts	5%	5.96%	Building construction price index
Food	4%	2.69%	Bank of Canada inflation rate (4.1%)
Investments	5 to 5.75%	4.75 to 5.5%	Interest rate on investments

The chart below demonstrates inflation since 2016, compared to tax rate increases over this same period. Because assessment values have been frozen since 2016, this provides a baseline for comparison. As can be seen from the chart, most of the time the increases are within two percent of each other; as costs of operations increase with inflation, the tax rate also increases accordingly.



The chart below demonstrates the cumulative impact of inflation as compared to the tax rate over the same period. As can be seen from the chart, inflation has increased on average 2.81% per year, and the tax rate 1.81% per year. Over this period of time, inflation increases are 8.04% higher than tax rate increases overall.



## 2. Staffing Recommendations

Each year, staff review staffing allocations and staffing needs to meet the service demands of their respective departments. Requests for additional staffing may be made in response to Council direction, increased demand in a particular department, new regulatory requirements, or new or changing services.

A preliminary review of staff position considerations that staff would propose to include in the 2025 draft budget is below:

<b>Department</b>	<b>Position</b>	<b>Rationale</b>
Facilities	Cleaner / facilities support	Combine existing contracts into a new position; cost neutral – supports facilities initiatives and project management
SMT	Director Community Services	Service delivery review – this is the final position recommended
Protection	By-law	Bring internal bylaw service to increase presence and quicker response to complaints. Potential to utilize AMP's more effectively on other bylaw enforcement.
Protection	Admin support	To assist in administrating our future goals in Bylaw, Emergency Management, Public Education and Training Centre
Public Works	Public Works staff	A review of overtime data in Public Works has identified the opportunity to reduce overtime by hiring additional staff; cost neutral.
Recreation	Facility operator	Staffing requirement at the Stewart Community Centre in Pakenham with only 1 full time staff person dedicated to this facility.
Finance	Summer student	Front desk, vacation coverage, administrative support; could make this contingent on receiving grant funding

The Human Resources Business Partner is gathering data and financial implications related to each of these proposed positions.

## 3. Program Expansion

Each year, staff review program and service needs, Council priorities, and Council direction while planning for the coming year and ensuring that programs meet the service demands of their respective departments. Requests for additional program related funding may be made in response to Council direction, increased demand in a particular department, new regulatory requirements, or new or changing services.

A preliminary review of program expansion considerations that staff would propose to include in the 2025 draft budget is below:

<b>Department</b>	<b>Program description</b>	<b>Rationale</b>
Child Care	Before and After School	Expansion of program to address wait list for service.
Recreation	Summer Camp for the month of July 2025	More summer camp options for children in the community.
Corporate Services	Process / quality / efficiency / automation training  Leadership Training	To support the operational efficiency project and ensure all staff are involved and informed and able to implement positive change in their roles  Change management efforts require aligned, active and effective leadership; the current Corporate Services training budget has not been increased even though staffing has.
PW, Rec, Fire, other	Reserve for Climate Change and Emergencies / Incident Management, Just In Time Agreement with Red Cross	This has been flagged as an item to add to budget discussions for Council's consideration.
Protection	Fire Training Centre	Enhance and expand the training services offered, with the goal to increase revenue.

Department heads are gathering data and financial implications related to each of the proposed program expansions above.

#### **4. New Professional Fees**

Each year, staff review program and service needs, Council priorities, and Council direction while planning for the coming year and ensuring that programs meet the service demands of their respective departments. Requests for additional Professional Services funding may be made in response to Council direction, increased demand in a particular department, new regulatory requirements, or new or changing services.

A preliminary review of professional fees considerations that staff would propose to include in the 2025 draft budget is below:

<b>Department</b>	<b>Description</b>	<b>Rationale</b>
Website upgrades	Online payments and new upgrades	Back-end of the website no longer supported and required to upgrade (cost \$19,000) inclusion of online payment on website (\$10,000)

Legal Services	Additional funds required for existing complex legal cases	Ongoing legal matter not covered by insurance is expected to wrap up in 2025. Will likely require additional funds.
Consulting	Process automation and financial system integrations	To support implementation of a new FIS and integration with financial data capture from other departments and the web site.
New OCWA Contract	Increase due to services and Chemical Costs increases	This will be refined in proposal to be received end of June.
Almonte Tennis Courts (Recreation)	Repair work to the Almonte Tennis courts	Minor repairs are required to be completed on an annual basis to keep the Almonte Tennis courts functional until major repairs are completed.

Department heads are gathering data and financial implications related to each of the proposed program expansions above.

## 5. Revenue Sources

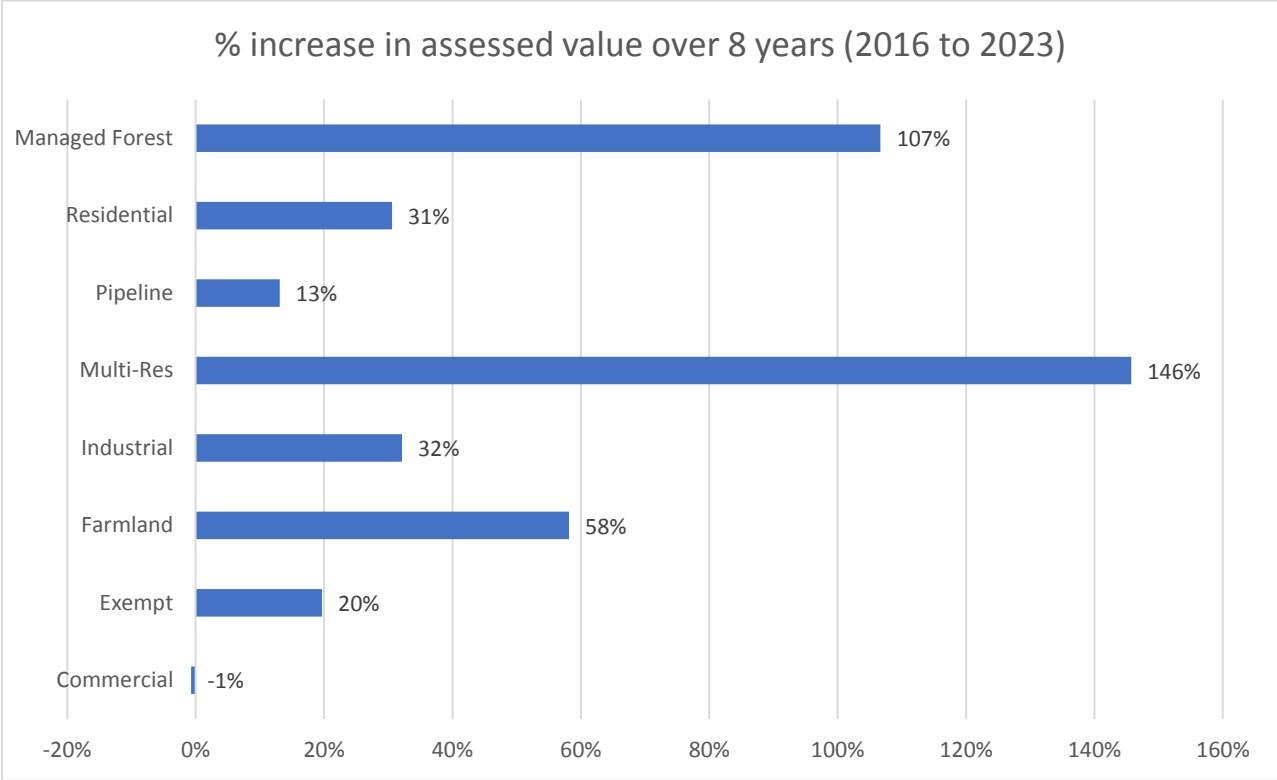
There are multiple sources of revenue that are considered in budget planning. While developing budget assumptions, staff review:

<b>Revenue Source</b>	<b>Assumption</b>	<b>Research / sources / historical information</b>
Assessment Values	Increase due to new growth (residential and commercial)	MPAC
Fees and Charges	Based on Council approved changes	By-Law
Interest rates and Investment Income	Based on prime rate and forecast changes per Bank of Canada	Bank of Canada prime rate, economic forecasts
Reserves	Per Council direction	Based on reserve health, policy, options of funding different projects
Debt	Per policy and Council direction	Funding of projects as detailed in policy being appropriate for debt financing
Grant Funding	OCIF – decrease of 15%; OMPF – unknown; CCBF – increase of 4.17%; Other – as approved	Grant funding assumptions are normally based only on approved funding





Below is the percent change in assessment value for different property classifications over the past eight years. Industrial, commercial, and pipeline properties are subject to higher tax rates and growth in these areas will have a more material impact on revenues for the Municipality. As can be seen below, there has historically been minimal growth in these areas as compared to residential and multi-residential.



While the growth trend for residential and multi-residential property is expected to continue, the Municipality anticipates growth in commercial properties as well in the coming years. The potential impact on tax revenues is shown in the chart below. Looking a few years into the future can help with decision making for 2025, as Council considers the need for services as the population grows, and the potential future revenues that can help offset the costs for services. Additionally, this information may help Council with decision making related to capital project funding and the use of debt, reserves, and operating cash flow.

	2025	2026	2027
Anticipated Commercial Growth (Assessed Value)	\$1,000,000	\$3,000,000	\$12,000,000
Anticipated Commercial Growth (Tax Revenue)	\$10,698	\$32,096	\$128,384

For every \$10,000,000 investment in commercial property, Municipal tax revenue would increase by roughly \$100,000.

## **Discussion Part II – Development of the Draft Budget for Tabling**

As discussed at the May 21, 2024 Committee of the Whole Meeting, staff propose to build the draft budget over the summer of 2024 for tabling in October.

- Draft capital budgets are developed based on master plans and strategic plan
- Draft operating budget is developed based on inflation indexes, strategic plan, and items as provided in this report
- Staff consult the Debt policy to determine appropriate projects eligible for borrowing
- Staff consult the Reserve policy and historical direction from Council to determine appropriate projects eligible for funding through reserves
- Staff consult the Reserve policy and historical direction from Council to determine appropriate amounts to contribute to reserves
- Staff propose the mix of debt and reserves based on this analysis
- Staff determine the proposed remaining funding needed to balance the in-year budget
- Staff propose a tax rate increase based on anticipated assessment values that would cover the remaining funding needed

Staff would then seek Council's direction and approval related to all items in the list above, which can result in changes to debt funding, reserve funding and contributions, and the remaining funding needed (and consequently the tax rate impact).

## **Councilor Initiated Projects**

At any time in the process an individual Councilor can use the Notice of Motion process to advance discussion that they wish to have on a particular item or project if they feel that it is not coming up during the regular debate at Committee of the Whole or Council. Examples of members of Council using the notice of motion process to initiate debate include the Affordable Housing Grant, and the Aquatics Reimbursement Program.

## **OPTIONS:**

**Option A (recommended):** Council approves the recommendations as provided in this report.

**Option B:** Council amends the second recommendation to direct that individual Staff Reports for the staffing proposals be brought forward by Department Heads in advance of the Budget Tabling, for review and direction by Council.

**Option C:** Council approves the recommendations as amended following Council discussion.

**Option D:** Council may request further information from staff.

### **FINANCIAL IMPLICATIONS:**

At this time there are no direct financial implications. All information in this report will still be subject to Council approval as the budget process unfolds throughout Q3 and Q4 of 2024. Staff proposes that Human Resources bring forward a summary report related to the proposed staffing changes, including financial implications. The budget tabling presentation scheduled for October 8, 2024, will demonstrate the financial impact of the various inflation indexes, proposed program expansion, and anticipated professional services fees.

### **STRATEGIC PLAN**

This report supports Council's strategic priorities 4 (sustainable financial stewardship) and 6 (transparent and accountable governance).

### **PUBLIC ENGAGEMENT**

None at this time. The 2025 Budget Process includes public engagement and communication initiatives throughout.

### **SUMMARY:**

This report is written to provide Council with details and data related to budgeting assumptions, estimates, and expected changes related to the 2025 budgeting process, and to seek Council direction and feedback related to these items.

The report summarizes six different aspects of budget development: inflationary indexes and assumptions, staffing changes, program expansion, professional services, revenue sources, assessment growth and Councilor initiated discussion. Because it is early in the budget development process, detailed estimates and projections are not provided; rather, the conceptual framework and budgeting methodology is shared for Council's review and consideration.

Respectfully submitted by,

Kathy Davis,  
Director of Corporate Services, Treasurer

Reviewed by:

Ken T. Kelly,  
Chief Administrative Officer

### **ATTACHMENTS:**

1. Strategic Plan Map
2. Budget Process from May 21, 2024